

FISCAL IMPACT STATEMENT ON BILL NO. **H. 4534**

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TO:	The Honorable Daniel T. “Dan” Cooper, Chairperson, House Ways and Means Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Tricia Tangney, Beth Campbell, and Allan Kincaid		
DATE:	April 18, 2006	SBD:	2006188

AUTHOR:	Representative Edge	PRIMARY CODE CITE:	59-63-610
SUBJECT:	Educational Opportunity Scholarship Act		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
\$0 (No additional expenditures or savings are expected)

BILL SUMMARY:

This Bill enacts the South Carolina Educational Opportunity Scholarship Act, which allows students in failing schools to use an education scholarship to transfer to another public school or to an independent school.

EXPLANATION OF IMPACT:

The Department of Education

Section 59-63-625 (A) allows students in schools rated “below average” or “unsatisfactory” to transfer to another public school or an independent school. Parts (3) of the same subsection states that the Department of Education must issue a check to parents or guardians for a maximum of \$4,500 whose children choose to attend an independent school. There are approximately 137,000 children attending below average or unsatisfactory schools. There is a cost of approximately \$30,825,000 for every five percent of this population who choose to attend an independent school. However, there would be a corresponding decrease in EFA funds of \$13,165,727 based upon a reduction in public school weighted pupil units. The net cost to the General Fund would be approximately \$17,659,273 if five percent of eligible students chose to attend an independent school. If all 137,000 students chose to attend an independent school, the maximum cost would be approximately \$353,185,452.

Section 59-63-625 (B) allows any physically or mentally handicapped child to exercise the same options as the students in subsection (A). Part (3) of this subsection states that the Department of Education must issue a check to parents or guardians for a maximum of seventy-five percent of the projected state per pupil cost multiplied by the appropriate weighting whose children choose to attend an independent school. There are approximately 100,000 students affected by this subsection. There is a cost of approximately \$16,425,000 for every five percent of this population who choose to attend an independent school, which is offset by potential EFA savings of \$15,326,325. The net cost to the General Fund would be approximately \$1,098,675 assuming that “projected state per pupil cost” is defined as the EFA base student cost. If all 100,000 students chose to attend an independent school, the maximum cost would be approximately \$21,973,500. For both subsections (A) and (B) there is no cost to the State for students who choose to attend another public school.

The Department of Education reports administrative costs for 59-63-625 of \$89,200 for the first year of implementation including \$78,380 for 1.00 Fiscal Technician II and 1.00 Administrative Specialist, \$5,820 in operating expenses, and \$5,000 for non-recurring equipment costs.

The Budget and Control Board

Sections 59-63-650 and 59-63-655 require the Budget and Control Board to prepare annual reports and a long-term evaluation of the impact on school enrollment and state and local funding of public schools. Section 59-63-655 (C) of the Bill states the Board shall pay the cost of the evaluation from funds available to it for that purpose except that state funds used must not exceed four hundred thousand dollars per year. It is estimated there will be annual cost to the General Fund of the State of \$400,000. This cost includes funding for 5.00 new positions and annual other operating cost of \$62,000.

The Department of Revenue

The Department of Revenue reports this Bill would increase expenditures by less than \$10,000 for forms, computer changes and taxpayer education, which can be absorbed by the agency at its current level of funding.

Recapitulation

There would be an annual cost to the General Fund of approximately \$19,242,148 if five percent of eligible students choose to exercise the school choice provisions of this Bill. Every five percent increase in students has a corresponding impact to the General Fund of approximately \$18,750,000.

LOCAL GOVERNMENT IMPACT:

None.

SPECIAL NOTES:

The Board of Economic Advisors is the appropriate entity to address any revenue impact associated with this or any other Bill. See Part III (Educational Opportunity Scholarship Tax Credit) of the Bill.

Approved by:

A handwritten signature in black ink that reads "Don Addy". The signature is written in a cursive, flowing style.

Don Addy
Assistant Director, Office of State Budget